

MINUTES

MONTANA SENATE 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN BOB DEPRATU**, on January 11, 2001 at 8:00 A.M., in Room 405 Capitol.

ROLL CALL

Members Present:

Sen. Bob DePratu, Chairman (R)
Sen. Alvin Ellis Jr., Vice Chairman (R)
Sen. John C. Bohlinger (R)
Sen. Mack Cole (R)
Sen. Pete Ekegren (R)
Sen. Jon Ellingson (D)
Sen. Dan Harrington (D)
Sen. Emily Stonington (D)

Members Excused: None.

Members Absent: Sen. Bill Glaser (R)

Staff Present: Lee Heiman, Legislative Branch
Deb Thompson, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing & Date Posted: Senate Bill 162, 1/8/2001
Executive Action: None

HEARING ON SENATE BILL 162

Sponsor: **SENATOR LORENTS GROSFIELD**, SD 13, presented SB 162. He described the research that had gone into developing the bill. This deals with the earmarking of funds which should have equal footing in the general fund. He pointed out some examples for the need to earmark, which the bill does address. Examples would be user fees such as the highway tax or gasoline tax. Another example would be fishing and hunting license fees that were necessary for the Fish, Wildlife and Parks Department. Another example of earmarked funds would be donations from private

sources or corporations that have given the money if it is used in a certain way. He noted the constitutional reasons or federal mandates that were described in subparagraph (d). He said there are reasons not to earmark which could lead to inefficiencies as in court fees. **SENATOR GROSFIELD** handed out a chart illustrating the complexity that earmarking can add to administration of revenues. **EXHIBIT (tas08a01)** He explained that House Bill 2 provided scrutiny to the budget but earmarked funds did not have the same scrutiny. This can be a problem when tough budget decisions are restricted to only part of the funds. The bill would set up criteria in the law to look at before earmarking an account. Funds could be examined to see if there was still a continuing need for these as a large fund balance was not needed. The bill would require looking before earmarking and perhaps would recommend de-earmarking. **{Tape : 1; Side : A; Approx. Time Counter : 0 - 17.5}**

Proponents:

Mary Whittinghill, representing the Montana Taxpayer Association, said it was important to analyze costs. She pointed out there was a 15% proposal to cut budgets last Session where an analysis to de-earmark certain fund balances would be appropriate. **{Tape : 1; Side : A; Approx. Time Counter : 17.5 - 18.9}**

Opponents: None

Questions from Committee Members and Responses:

SENATOR STONINGTON asked **SENATOR GROSFIELD** where this would be placed in the local government codes. **Lee Heiman** said this was under the state budget formula in Title 17.

SENATOR GROSFIELD pointed out the fiscal note indicated the cost would be only \$2,000 which would cover a few extra meeting days for the subcommittee to meet before the regular Senate Finance Committee meeting. During the first Interim, a lot of detailed work was done that did take a long time since these were new ones from the previous Session. The last time they decided to deal with only certain areas. It is up to the committee to decide how deep to delve. **{Tape : 1; Side : A; Approx. Time Counter : 18.9 - 24.4}**

SENATOR STONINGTON said that she was reluctant to assign the legislative committee with more jobs. She felt this needed an interim study. **SENATOR GROSFIELD** replied that this had been studied. Another bill carried by Rep. Story would address court

funding. **{Tape : 1; Side : A; Approx. Time Counter : 24.4 - 28.3}**

SENATOR COLE asked about the new Section 2, (2d) regarding the legal basis and how a federal mandate or statutory requirement that would designate a source of funds for a specific purpose was regarded. **SENATOR GROSFIELD** replied there were some good reasons for earmarking, for example the Fish, Wildlife and Parks needed the license money for specific reasons. He noted that Montana had been number one of all the states for the percent of earmarked money. However, now Montana was about midway. He said the need for the bill was so flexibility and scrutiny of these earmarked funds would be possible. **{Tape : 1; Side : A; Approx. Time Counter : 28.3 - 32.4}**

SENATOR BOLLINGER asked for additional information as to how the process worked. **Judy Paynter** from the Department of Revenue said she would supply information that would explain how revenues are collected for the Committee's review. **{Tape : 1; Side : B; Approx. Time Counter : 3.4 - 4.6}**

Closing by Sponsor:

SENATOR GROSFIELD closed. He said that earmarking has a place and provides stability but needs scrutiny.

ADJOURNMENT

Adjournment: 8:40 A.M.

SENATOR BOB DEPRATU, Chairman

DEB THOMPSON, Secretary

BD/DT

EXHIBIT (tas08aad)